FINANCE STRATEGIC PLAN
AS APPROVED BY HIT EXECUTIVE COMMITTEE 3/26/2010

2.2 Finance

The Finance component of the Arkansas HIE Strategic Plan consists of three primary phases of development for SHARE: Phase 1 is the pilot or proof of concept phase; Phase 2 is the implementation and operational phase; and Phase 3 is the sustainability phase. Each of these three phases is being synchronized with the work of the other Arkansas HIE Workgroups.

The major objective of the Arkansas HIE Finance Workgroup is to identify the most effective methods of utilizing available funds for Phases 1 and 2 while establishing a finance model for Phase 3. An essential part of this process is to explore opportunities to incorporate funds from Medicaid, public health, and other potential users of SHARE.

Work and discussions have centered around analyzing finance models from other state's HIEs, reviewing various user fee models, and researching existing information technology operations in Arkansas that are self-sustaining public/private business models.

It is anticipated that the initial successes of SHARE will be leveraged to further prove its value to users and potential users, gaining buy-in and additional financial investment over the term of the Cooperative Agreement and beyond.

Key Assumptions

In order to move forward with planning, the Finance Workgroup is working under the following key assumptions:

- The initial development of SHARE will be limited to currently-available funds until additional state, federal, private and/or user-generated revenues become available. The Cooperative Agreement Program will provide approximately $7.9 million for 2010-2013, and will be matched by state funding of $600,000 over the same time period.
- Initial expenditures will focus on creating functionalities that will meet established Federal Meaningful Use Criteria, allow Arkansas' Medicaid Management Information Systems to utilize SHARE, and that will assist the Arkansas Department of Health in meeting public health reporting requirements when and where possible.
- Where feasible, SHARE will provide services to Arkansas Medicaid, the Arkansas Department of Health, and other public agencies and programs to maximize federal funding available for such services.
- SHARE's network infrastructure, to the extent possible and practical, will be developed by strategically utilizing existing network resources and capacity in Arkansas in order to maximize currently available funds from all potential sources.

- Currently available federal funds will be viewed as seed money and/or venture capital with which to attract a private vendor and/or investor as a contracted partner with Arkansas in the SHARE development process.
- A state-authorized entity will have the fiscal and management oversight responsibility for any contract developed with any vendor(s) hired to develop, implement and operate SHARE in Arkansas.
- Arkansas Medicaid will share in the development and operational costs of SHARE in close proportion to its use.

Successful financing depends greatly on these assumptions, so particular attention must be paid to any changes that occur throughout the planning and implementation of SHARE. As changes occur, financing must be modified to correspond with new realities.

Finance Principles

The Finance Workgroup has recommended that SHARE be implemented and sustained using the following Financial Principles:

- Our goal is to finance an HIE system that will improve the health and well-being of Arkansans in the most efficient and effective manner possible.
- Financing of SHARE should ensure fair distribution and equitable allocation of costs for sustainability.
- SHARE will provide adequate financing to ensure security and privacy of exchanged information.
- SHARE's subscription and/or fee models will be properly developed to minimize the impact of user costs and provide incentives for utilization of services by all users.
- Long-term funding of SHARE's costs cannot be borne solely by any one stakeholder group or user group.
- Funding of SHARE's initial infrastructure should not be financed through future user/subscription fees.
- The business case(s) for SHARE must include expected return on investment, business value, cost savings, and a sustainable business model that includes public and private financing mechanisms.
- SHARE's operational revenue must be easily collectable and come from stable sources of funding.
- SHARE will work with all HIT-related partners to leverage existing technologies, assets, funds, and other resources whenever possible, with initial efforts focused on existing uses of technology and on existing but underutilized technologies.

Pricing Models for HIE Services

In collaboration with the Business & Technical Operations Workgroup, Finance is developing a recommended scope of services to be provided and/or delivered by SHARE. It is anticipated that a "utility user charge" will be developed for the basic functions of SHARE developed with discussions

and buy-in from HIE stakeholders. An appropriate fee/rate structure will also be developed for packages of services and for access to additional value-added services, keeping in mind that such fees must be easily collected and provide a steady stream of revenue. It is envisioned that SHARE's menu of services will involve various fees and rates associated with the different combinations of services and/or subscriptions offered during Phases 2 and 3 of SHARE.

Although users may be charged a fee for SHARE, the details of these charges and requirements for implementing them are unknown at this time. An in-depth analysis of transaction-based charges must be completed to inform final recommendations.

Innovative Partnerships

As the design and development of the exchange evolves, it will guide the process for putting out RFI's to potential vendors, and we should be prepared to explore creative approaches to these relationships. An essential part of this process will be identifying potential vendors who may also be willing to explore opportunities for becoming investors as well. Creative strategies around vendor warranties/guarantees regarding system performance (for example, of the MPI) and payment for performance standards (achieving specific levels of "savings" and/or productivity) must also be explored as an integral part of a sustainability strategy.

Stakeholder Contributions and Willingness to Pay

Not only have Arkansas' HIE stakeholders shown a great deal of interest in developing SHARE, they have already shown a willingness to utilize their resources to contribute to its development and growth. Since the beginning of 2010, both state-funded and privately-paid stakeholders have contributed approximately ____ hours of work towards developing the HIE Strategic and Operational Plans, and have indicated their willingness to continue contributing their time and resources.

Those anticipated to be SHARE's initial users are primarily payers, public health entities, and clinical providers (physicians, nurses, hospitals, clinics, laboratories, pharmacies, etc.). These groups are all well-represented on the Arkansas HIT Task Force and within the HIE Workgroups and have generally recognized both the financial and health-related benefits of SHARE. Although it will be a challenge to get all providers to participate, most have indicated a willingness to pay for utilization of SHARE in some way. Further and more specific discussion is needed to determine appropriate fee structures for initial and future functionalities.

Additional stakeholders and stakeholder groups have also indicated a willingness to pay to use SHARE, but it is unclear what level of financial support they are willing and able to contribute. Therefore, discussions must also continue with these stakeholders regarding appropriate fee structures for SHARE use.

Role of the State

The State of Arkansas has already appropriated $600,000 in matching funds over the four year period of the Cooperative Agreement. It is also anticipated that state agencies responsible for health-related information and/or transactions (Arkansas Department of Human Services, Arkansas Department of Health, Arkansas Insurance Department, etc.) will contribute to the cost of implementing and using SHARE. Discussions with these agencies have been ongoing regarding their contributions, with specific commitments expected to be obtained in the near future.

In addition to these direct financial contributions from state agencies, health technologies already in use or undergoing implementation by existing public, private, and public-private partnerships will indirectly subsidize the cost of SHARE's services and financing. Some examples of these technologies include telemedicine services provided by the University of Arkansas for Medical Sciences, the certification of physicians for incentives under Meaningful Use Criteria by the Arkansas Foundation for Medical Care, and the Arkansas Telehealth Oversight and Management (ATOM) broadband project to create the framework for a fully-connected statewide telehealth system.

SHARE's budget will not be required to finance these activities, but these relationships will be leveraged in order to share technologies and their underlying structural components, enhancing the reach and functionality of SHARE without paying the entire cost.

The SHARE budget has been developed for 2010-2013, the period of the Cooperative Agreement, which is attached as Appendix ____. A budget for long-term sustainability of SHARE is being developed based on the assumption of creating a public utility-type model that will blend public funding and private investment with user fees.

The Finance Workgroup has worked closely with both the Technical Infrastructure and Business and Technical Operations Workgroups to identify the exchange functionalities that SHARE is capable of providing which will also generate sufficient revenue to sustain the system's operations. Examples of these identified exchanges, which were developed including specific requirements of the Cooperative Agreement, Interim Meaningful Use Criteria and MMIS, are:

- Patient demographic information
- Patient vital information such as height, weight, BMI, smoking status, allergies, problem list/health issues, care providers
- Medication information to include prescriptions, refill requests, fill status, history and active medications
- Diagnostic testing information such as clinical laboratory orders and results
- Other structured clinical summary information
- Public health information such as immunizations
- Insurance type, ID, payer name, and payer contact information

These exchange functionalities may need to be amended or updated after Final Meaningful Use Criteria are finalized.

It is anticipated that the bulk of Cooperative Agreement funds will be spent over the first two years to provide these initial functionalities by the end of 2011. User-generated revenue is anticipated to begin approximately in January 2012, with those funds anticipated to cover operating expenses. Additional functionalities will be funded through public or private grants, additional private investment, or excess user fees.

Concerns and risks regarding financial sustainability of SHARE must be kept in mind. Some of these include:

- Inability to create business cases that prove financial value (return on investment, business value, cost savings)of SHARE's services to potential customers, partners, or investors
- Inability to obtain proper legislative support or approval for public utility-type model
- Inability to provide the technical services for which users are willing to pay fees
- Inability to provide SHARE's services on a timeline sufficient to generate positive operating revenue before Cooperative Agreement and State funding expires
- Development of a second HIE or HIE-type service, or open-source service(s), that may supplant SHARE prior to its full implementation

A comprehensive business plan for SHARE has been developed as part of the Operational Plan, and is included as Appendix ____.

Endorsement of Stakeholders

The Arkansas HIT Task Force was established in 2009 and is made up of over 100 representatives from stakeholder groups. The Task Force meets monthly to discuss SHARE and other HIT-related projects throughout the state. Both the Strategic and Operational Plans, including specific budgets and funding sources, will be presented to the Task Force for comment and suggestions, and will be recommended by a majority vote.